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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

ADOBE SYSTEMS INCORPORATED,
Plaintiff,
v.
SOFTWARE TECH, et al.,
Defendants.

Case No. 5:14-cv-02140-RMW

**ORDER SETTING EVIDENTIARY
HEARING ON MOTION FOR
CONTEMPT AND SANCTIONS**

Re: Dkt. No. 64

Plaintiff Adobe Systems Inc. (“Adobe”) moves to hold defendants Pierre Francis, La Boutique du Softwaretech, Inc., Software Tech, Software Tech Store, and Futur-Soft Solutions Corporation (collectively, “defendants”), in contempt and liable for sanctions for defendants’ violations of this court’s Preliminary Injunction. Dkt. No. 64 (Mot.); Dkt. No. 32 (Prelim. Inj.). For the reasons explained below, the court finds that there are evidentiary disputes requiring a hearing before a finding of contempt or award of sanctions can be made. Accordingly, the court sets an evidentiary hearing for September 18, 2015 at 1:30 p.m.

I. BACKGROUND

Adobe makes various software products, including “ACROBAT®, ACROBAT CAPTURE®, ADOBE AUDITION®, ADOBE PREMIERE®, AFTER EFFECTS®, CONTRIBUTE®, CREATIVE SUITE®, CS LIVE®, DREAMWEAVER®, ENCORE®, FIREWORKS®, FLASH®, FLASH BUILDER®, FLASH CATALYST®, ILLUSTRATOR®,

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1 INDESIGN®, LIGHTROOM®, PHOTOSHOP®, PRELUDE®, SPEEDGRADE®, and
2 VERSION CUE®.” Dkt No. 54, FAC ¶ 25. Defendants sell Adobe products through various
3 websites. Dkt. No. 75-1 (Francis Decl.) ¶ 8. Defendants’ business model is such that:

4 the majority of Software Tech’s software sales are for a digital
5 download. Whether given to a customer via digital download or
6 physical media, a typical transaction between Software Tech and a
7 customer involved the customer ordering software from the
8 Software Tech website and downloading the software through the
9 Software Tech website or receiving an installation disk via UPS,
FedEx, etc. Software Tech purchased an activation key for the user
from an approved first-tier or second-tier distributor, provided it to
the customer, and the customer would then activate the software
with Adobe using the activation key or serial numbers provided by
Software Tech.

10 *Id.* ¶ 15. Adobe alleges the defendants’ sales violate Adobe licensing policies, which place
11 various restrictions on how Adobe serial numbers are distributed to customers. *See* Dkt. No. 64-3
12 (Draper Decl.). In essence, Adobe alleges that defendants improperly re-use Adobe serial
13 numbers, thereby selling the same software product multiple times.

14 **A. The Prior Action and March 22, 2013 Permanent Injunction**

15 Plaintiff previously brought an action against defendants Futur-Soft Solutions Corporation
16 and Pierre Francis for similar conduct to that alleged here. *See Adobe Systems Incorporated v.*
17 *Matthew Rene, et al.*, Northern District of California Case No. 3:11-cv-03885-CRB (the “Prior
18 Action”). The parties entered into a Confidential Settlement Agreement to resolve that matter, and
19 the court entered a Permanent Injunction and Dismissal with Prejudice on March 22, 2013. Dkt.
20 No. 64-8. The Permanent Injunction prohibits defendants Futur-Soft Solutions Corporation and
21 Pierre Francis from:

22 [§ 5.a] Infringing Plaintiff’s Properties, either directly or
23 contributorily, in any manner, including generally, but not limited to
manufacturing, importing, distributing, advertising, selling and/or
offering for sale any unauthorized product which features any of
24 Plaintiff’s Properties, including, but not limited to, any product sold
outside specified channels or in a manner which violates the terms
of Plaintiff’s distribution agreements, including, but not necessarily
25 limited to, academic, OEM, or foreign-made versions of Plaintiff’s
software (collectively “Unauthorized Products”).

26 Dkt. No. 64-8 at 46. Thus, the Permanent Injunction prohibits defendant Francis from dealing in
27

1 “unauthorized” Adobe products. *Id.*

2 **B. This Action and October 9, 2014 Preliminary Injunction**

3 Plaintiff filed the instant suit on May 9, 2014. On October 7, 2014 the parties stipulated to
4 a Preliminary Injunction, which the court entered on October 9, 2014. Dkt. No. 32. The
5 Preliminary Injunction prohibits defendants from:

6 (a) importing, exporting, downloading, uploading, marketing,
7 selling, offering for sale, distributing or dealing in any product or
service that uses, or otherwise making any use of, any of Plaintiff’s
Trademarks or Copyrights . . .

8 (b) importing, exporting, downloading, uploading, marketing,
9 selling, offering for sale, distributing or dealing in any activation
codes, keys, or serial numbers relating to any of Plaintiff’s purported
10 Trademarks or Copyrights . . .

11 (c) importing, exporting, downloading, uploading, marketing,
12 selling, offering for sale, distributing or dealing in any product or
service that uses, or otherwise making any use of, any Original
13 Equipment Manufacturer (“OEM”), educational or academic
14 (“EDU”), government, foreign-made, Volume Licensing, or Adobe
Employee Software Purchasing Program software, activation keys,
code, or serial numbers relating to Plaintiff’s Trademarks or
15 Copyrights.”

16 *Id.* § 1. The Preliminary Injunction is broader than the Permanent Injunction in that the
17 Preliminary Injunction prohibits *all* sales of Adobe products, and not just “unauthorized” products.

18 **C. Alleged Violations of the Preliminary Injunction**

19 Adobe uses investigators to purchase Adobe products from third parties and then checks to
20 ensure the product has been properly licensed. Dkt. No. 64-3, Draper Decl. Adobe’s investigator
21 made several purchases of Adobe products from defendants’ websites, including purchases after
the entry of the Preliminary Injunction. *Id.* The sales Adobe uncovered violated the Preliminary
22 Injunction and also violated Adobe’s licensing policies. For example, Draper testifies that:

23 I have analyzed the serial number contained in an email sent on
24 December 23, 2014, from sales@thesoftwaretechstore.com to a
25 customer. A true and correct copy of this email is attached to the
Declaration of Haik Moushaghyan as Exhibit C. This serial number
26 is for an unauthorized Educational Volume Licensed (TLP) version
of Adobe Photoshop CS6. This serial number was not generated
27 until August 28, 2014, and is not registered to the customer in the
December 23, 2014, email. It has been activated a total of 15 times.

1 None of the users have any business affiliation with each other.
2 None of the users appear to be qualified as educational users.

3 *Id.* ¶ 13.

4 In addition, on February 7, 2015, Adobe’s investigator made a purchase of an “Adobe
5 Acrobat Professional 11 XI – Download Windows Master Key” from the website located at
6 preloadmypc.com. Draper Decl. ¶ 19, Ex. Z. On February 11, 2015, Adobe received an email
7 from defendants, through the email address sales@preloadmypc.com, providing a serial number
8 for the investigator’s purchase. *Id.* ¶ 19, Ex. AA. This serial number was for an unauthorized
9 Volume Licensing (TLP) product sold outside of Adobe’s licensing restrictions. *Id.* at ¶ 19.

10 **II. LEGAL STANDARD**

11 Civil contempt “consists of a party’s disobedience to a specific and definite court order by
12 failure to take all reasonable steps within the party’s power to comply.” *In re Dual-Deck Video*
13 *Cassette Recorder Antitrust Litigation*, 10 F.3d 693, 695 (9th Cir. 1993); *see also Gen. Signal*
14 *Corp. v. Donallco, Inc.*, 787 F.2d 1376, 1379 (9th Cir. 1986) (“Civil contempt occurs when a party
15 fails to comply with a court order.”). “The standard for finding a party in civil contempt is well
16 settled: The moving party has the burden of showing by clear and convincing evidence that the
17 [nonmoving party] violated a specific and definite order of the court.” *FTC v. Affordable Media,*
18 *LLC*, 179 F.3d 1228, 1239 (9th Cir. 1999) (quoting *Stone v. City & County of San Francisco*, 968
19 F.2d 850, 856 n. 9 (9th Cir. 1992)). The contempt “need not be willful,” and there is no good faith
20 exception to the requirement to obey a court order. *In re Crystal Palace Gambling Hall, Inc.*, 817
21 F.2d 1361, 1365 (9th Cir. 1987).

22 “A district court ordinarily should not impose contempt sanctions solely on the basis of
23 affidavits,” especially where the parties submit opposing affidavits. *Peterson v. Highland Music,*
24 *Inc.*, 140 F.3d 1313, 1324 (9th Cir. 1998), as amended on denial of reh’g and reh’g en banc (June
25 15, 1998) (citing *Hoffman et al. v. Beer Drivers & Salesmen’s*, 536 F.2d 1268, 1276–77 (9th Cir.
26 1976)).

27 In this case, Adobe must prove by clear and convincing evidence that defendants violated
28 the preliminary injunction by continuing to purchase or sell Adobe products after the court issued

1 its preliminary injunction.

2 **III. ANALYSIS**

3 **A. The Request for Enforcement of the Permanent Injunction in the Prior Action
4 Should Be Brought Before the Judge Who Issued that Injunction**

5 Part of Adobe's motion is based on defendants' alleged violations of the permanent
6 injunction entered in the Prior Action. *See, e.g.*, Mot. at 9. If Adobe wishes to pursue a motion
7 for contempt or sanctions against defendants for conduct occurring between March 22, 2013 (the
8 date of entry of the Permanent Injunction in the Prior Action) and October 9, 2014 (the date of
9 entry of the Preliminary Injunction in this matter), Adobe should pursue such a motion before
10 Judge Breyer, absent an order relating the cases. *See* Civil Local Rule 3-12.

11 **B. Adobe's Motion Is Timely Filed**

12 Defendants first argue that Adobe's motion was not timely filed because Adobe discovered
13 the violations of the Permanent and Preliminary Injunctions several months ago, but waited to file
14 their current motion. To the extent Adobe delayed in the filing the motion for violations of the
15 Permanent Injunction, the court leaves that issue for Judge Breyer to resolve unless the cases have
16 been related. As to the Preliminary Injunction issued in the instant case, Adobe complied with
17 Local Rule 7-8(c), which requires that a motion "must be made as soon as practicable after the
18 filing party learns of the circumstances that it alleges make the motion appropriate."

19 First, Adobe attempted to meet and confer with defendants prior to filing the instant
20 motion. Reply at 12 (citing April 1, 2015 letter between counsel). Second, Adobe was actively
21 pursuing discovery to ascertain the full scope of defendants' violations of the Preliminary
22 Injunction. *Id.* (citing Drey Decl.). Adobe did not receive its discovery responses until late April
23 2015, in connection with a Canadian litigation between the parties. Drey Decl. ¶ 4. Adobe filed
24 this motion less than one month later, on May 15, 2015. Dkt. No. 64. Adobe did not unduly delay
25 in bringing the motion for sanctions and, therefore, the court considers the motion on its merits.
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C. There are Issues of Fact Necessitating an Evidentiary Hearing

Although defendants acknowledge that the February 7, 2015 sale violated the Preliminary Injunction, defendants' argue that they should not be held in contempt and sanctioned because the sales of Adobe products "stemmed from a vast conspiracy of former employees of Software Tech to defraud defendants Pierre Francis and Software Tech out of hundreds of thousands, if not millions, of dollars." Dkt. No. 75 (Opp.) at 1.

Defendants rely on the declaration of Francis, who states that he "entrusted the day-to-day operations of the business to a key set of employees," who, it turns out, have "systematically defrauded [him] over a number of years." Francis Decl. ¶¶ 17, 20. Indeed, Francis has sued at least two of his now-former employees in Canadian court. *Id.* ¶ 22. Francis also states that the evidence Adobe relies upon in support of its motion (including depositions/declarations of former Software Tech employees, emails, and text messages) is false or was fraudulently created by the former employees. *See, e.g., id.* ¶ 42 ("The declaration of Mr. Moushaghyan in support of Adobe's Motion includes false information. In particular, the purported text message exchange between me and Mr. Moushaghyan is entirely fabricated."); *id.* ¶¶ 87-94.

Although there are certainly serious questions raised about the admissibility and credibility of defendants' evidence,¹ an evidentiary evidentiary hearing is necessary before the court can rule on the merits of the motion. *See Peterson*, 140 F.3d at 1324.

IV. ORDER

For the reasons explained above, the court finds that an evidentiary hearing on the motion for contempt and sanctions is necessary. The court sets an evidentiary hearing for September 18, at 1:30 p.m., or some other mutually agreeable time cleared with the court's courtroom deputy, on the issue of whether defendants acted in contempt of the Preliminary Injunction (and the Permanent Injunction issued in the prior action if it is related) and whether sanctions should be

¹ Many of the objections filed by plaintiff to the declaration of Francis (Dkt. No. 76) are meritorious and will limit the evidence that may be admitted at the hearing and considered in ruling on plaintiff's application for an order of contempt and sanctions.

1 imposed and for what amount.

2 Defendants are ordered to strictly comply with the October 9, 2014 Preliminary Injunction
3 in its entirety pending the court's ruling on the motion for contempt and sanctions.

4 **IT IS SO ORDERED.**

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6 Dated: August 19, 2015

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Ronald M. Whyte
Ronald M. Whyte
United States District Judge